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TO RUEHC/SECSTATE WASHDC 3183
INFO RUCPDO/DEPT OF COMMERCE WASHDC PRIORITY
RUEATRS/DEPT OF TREASURY WASHDC PRIORITY
RUCNCLS/ALL SOUTH AND CENTRAL ASIA COLLECTIVE
RUCNCIS/CIS COLLECTIVE
RUCNMEM/EU MEMBER STATES COLLECTIVE
RUEHAK/AMEMBASSY ANKARA 5461
RUEHBJ/AMEMBASSY BEIJING 3185
RUEHKO/AMEMBASSY TOKYO 3050
RUEHIT/AMCONSUL ISTANBUL 3705
RUCNDT/USMISSION USUN NEW YORK 1064
RHMCSUU/CDR USCENCOM MACDILL AFB FL
RUEHVEN/USMISSION USOSCE 3739
RUEAIIA/CIA WASHDC
RHEFDIA/DIA WASHDC
RHEHNSC/NSC WASHDC
RUEKJCS/SECDEF WASHDC
RUEKJCS/JOINT STAFF WASHDC

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SUBJECT: TURKMENISTAN: MOST GOVERNMENT WORKERS CANNOT AFFORD TO BUY AN APARTMENT

¶1. (U) SUMMARY: President Berdimuhamedov's decree of January 2008 offered long-term mortgage loans to Turkmen citizens to buy elite apartments and family houses. In a populist move, Berdimuhamedov's decree extended a fifteen-year loan term, established by his late predecessor, to thirty years. However, even with the extension of the payback period, government wages will not allow borrowers to payback their loans. END SUMMARY.

¶2. (U) In January 2008, President Berdimuhamedov issued a decree authorizing banks to provide thirty-year loans at a one percent interest rate and with a five-year grace period to purchase the government's elite apartments in Ashgabat, built by Turkish construction companies. In order to get a loan, a person should be able to pay thirty percent of the apartment's cost up front. Employees of government agencies with over five years of service can purchase apartments at half price. The presidential decree also allowed rural residents to build a family house by using a government loan. In both cases, the bank transfers the money to the construction company and keeps apartments and houses as a mortgage. Currently, the price of these elite apartments ranges from \$200,000 to \$300,000 dollars. The price of a family house built at the expense of the loan is \$180,000 - \$200,000.

¶3. (SBU) However, wages in the public sector are not enough to allow regular citizens to save money for purchasing apartments and houses, offered by the government. An average monthly wage in the country is about three million manat or 211 dollars. An Ashgabat real estate agent, who is a friend of local Pol/Econ staff member, said that an owner of an elite apartment has to pay back his banking loan in a 10 million manat or \$700 monthly installment over thirty years. In order to pay the initial payment, people sell the Soviet-style apartments in which they lived and move temporarily to their relatives until they move into the elite apartment. Another friend of a local Pol/Econ staff member, whose daughter got an elite apartment from her employing agency, said that their joint family income was not enough to pay the loan and was thinking of selling the apartment in which she lives now. A 35-year old Ashgabat resident, who applied for the loan to buy an elite apartment, worried that she wouldn't be able to pay off the loan until long after she has retired and her pension would not allow her to make payments. A rural resident told

Pol/Econ local staff that if he uses a government loan for building a house, he does not have freedom in choosing the construction company. The government dictates which construction company to choose. The contact said that the final cost of the house greatly exceeds the actual expenses which a person will have to bear if he were to build on his own. A rural resident, who is a relative of a local Pol/Econ staff member, reported that due to the high level of unemployment among the rural population, few rural residents are eligible for the loan because the bank requires stable income to qualify.

14. (SBU) The government mortgage policy cannot be applied if one wants to buy a house or apartment on the free market. Free market prices for second-hand Soviet-style apartments range from \$30,000 to \$100,000 depending on the size. Prices for individual houses range from \$100,000 to \$160,000.

15. (SBU) Both market prices and government prices for apartments and houses drastically went up in May 2008, when, following the government's introduction of a unified dollar/manat exchange rate, the value of USD dropped from 24,000 manat to 14,250 manat. The decrease in the exchange rate immediately affected the local realty market: the price for a single room apartment rocketed from \$12,000 (June 2007) to \$25,000 (July 2008); the government prices for elite apartments increased from \$85,000-\$140,000 to \$200,000-\$300,000 depending on their size.

16. (SBU) The government's loan policy is ill-conceived. A local source said that the inability of local residents to pay back their loans could either result in hundreds of homeless people or a financial crisis. The source also speculated that eventually the

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government will have to write off the debts of the banks. However, for the time being, the government does not seem to be worried about this problem. It is more concerned at this point with filling Ashgabat's main streets with high-rise marble-clad apartment buildings, which are supposed to demonstrate the prosperity of the nation to a foreign visitor.

17. (SBU) COMMENT: For a traditional extended Turkmen family, where several generations live under a common roof, housing in the past ten years has become a critical problem. Local people would prefer that instead of building expensive elite apartments the government build inexpensive apartments and houses and sell them to the population at affordable prices. However, lavish kick-backs received by top government officials from expensive construction contracts probably ensure that the practice will continue. END COMMENT.

MILES